# AGRA

corp report

1969

SIXTH ANNUAL REPORT

PREPARATION BUILDING, SHOWING SEED COOKERS AND EXPELLERS

# AGRA

## Vegetable Oil Products Ltd.

CONTENTS

# Corporate Information

**OFFICERS**

| | |
|---|---|
| B. B. TORCHINSKY: | President |
| CLEM ROLES: | Vice-President |
| DEXTER H. C. BEACH: | Secretary |
| GERHARDT W. NEUMANN: | Treasurer |

**DIRECTORS**

| | |
|---|---|
| HARVEY L. STEPHENS: | General Manager, Saskatchewan Economic Development Corporation Ltd., Regina |
| NORMAN STACEY: | Farmer (Elite Grower), Nipawin |
| DEXTER H. C. BEACH, P.Eng: | Plant Manager of Agra, Nipawin |
| B. B. TORCHINSKY, P.Eng: | President, Western Caissons Limited, Montreal |
| CLEM ROLES, P.Eng: | President of Smith-Roles Ltd., Saskatoon |
| LEO NILE NICHOLSON: | Owner, Nicholson Real Estate, Nipawin |
| G. W. NEUMANN, C.A: | General Manager of Agra, Nipawin |
| WILLIAM B. MANOLSON: | Vice-President, Concordia Estates Limited, Montreal |
| SAMUEL J. HAMER: | President, Lethbridge Bottling Co. Ltd. and General News Co. Ltd., Lethbridge, Alta. |

**AUDITORS OF THE COMPANY**

Hamilton, George, Taylor, Golumbia & Co.,
Canada Building, Saskatoon, Saskatchewan

**REGISTRAR AND TRANSFER AGENT**

The Canada Permanent Trust Company,
Saskatoon and Toronto

**EXCHANGE LISTING**

Toronto Stock Exchange

**SUBSIDIARY COMPANIES**

POLAR BEVERAGES LTD.
1010-42nd Street, S.E.,
Calgary, Alberta

POLAR AERATED WATERWORKS LTD.,
1010–42nd Street, S.E.,
Calgary, Alberta

POLAR CANNING LTD.,
1010–42nd Street, S.E.,
Calgary, Alberta

LETHBRIDGE BOTTLING CO. LTD.,
237–12th Street B. North,
Lethbridge, Alberta

GENERAL NEWS CO. LTD.,
237–12th Street B. North,
Lethbridge, Alberta

## AGRA Vegetable Oil Products Ltd.

**HEAD OFFICE:**

P.O. Box 580
Nipawin, Saskatchewan
Telephone: (306) 862-4686
Telex: 034-29139

**OTHER OFFICES:**

Saskatoon, Saskatchewan
121–105th Street East

Toronto: 46 Creditstone Road,
Maple, Ontario

Montreal: 1950 Fortin Boulevard,
Chomedey, Laval, P.Q.

# Highlights of the Year

- The fiscal year ending July 31st, 1969, marked the fifth consecutive year of improvement in earnings record of the company.
- Net revenue from sale of products rose to $4,889,355.00, for an increase of 70% over last year's revenue.
- Net earnings climbed to $278,543.00 for an increase of 52.9% over last year's earnings.
- Working capital increased to $369,877.00, for an increase of 27% over last year's working capital.
- Total assets increased to $4,679,706.00, for an increase of 193% over last year's total.
- The company was listed on the Toronto Stock Exchange.
- The second major phase of our vegetable oil plant, the edible oil refinery, was completed and is now in full production.
- Diversification was initiated through the purchase of the POLAR group of companies in Calgary.


*Main office and plant of Polar Group in Calgary.*

# President's Report to the Shareholders

AGRA

1969

The fiscal year 1968-69, which ended July 31, 1969, has been marked with a number of very special achievements for AGRA. Our stock was listed on the Toronto Stock Exchange, our crushing plant operated at new high levels of volume and profit, our refinery and hydrogenation addition was completed, and diversification was initiated through purchase of the POLAR group of companies in Calgary.

## FINANCIAL

Net income for the year 1968-69 rose to $278,543.00, an increase of 52.9% over the previous year. This is equivalent to 22.7 cents per share, as compared to 21.9 cents in 1967-68, and 19.9 cents in 1966-67. Calculations for the current year are based on 1,229,090 shares issued and outstanding, whereas calculations for the prior years were based on 831,296 shares. The increase in outstanding shares during the year is accounted for primarily by:

a) Sale of 125,000 shares to raise our equity required for the refinery addition.

b) Issuance of 200,000 shares as part of the purchase price for the POLAR group of companies, and

c) Issuance of 72,794 shares to the Saskatchewan Economic Development Corporation when they elected to exercise their option to convert one of their original loans to a share purchase. There are presently no other share options in existence.

It is interesting to note that while we have included all the outstanding shares in calculating the per share earnings for the year, the contribution to these earnings by the refinery addition is negligible, since it was completed in April and was undergoing run-in and adjustments for the balance of the fiscal year. Similarly, contribution to the per share earnings by the POLAR group was also relatively small, since the company was acquired as of January 30th, 1968, so that it contributed only six months of operation to AGRA's income. Furthermore, during those six months, POLAR had abnormal expenses because it was running-in its new canning line, which had just been completed prior to our purchase.

All proceeds from our mortgage loan arranged through the Saskatchewan Economic Development Corporation have now been received. This loan presently stands at $981,960.00, of which $700,000.00 is the portion recently borrowed to complete our refinery addition. The loan is repayable in the next 12 years at an interest rate of 8 percent per annum.

The first proceeds of the grant towards the cost of our new refinery from the Area Development Agency of the Federal Department of Regional and Economic Expansion are expected to be paid shortly. Sixty percent of the estimated grant of $250,000.00 is due in the current year, and the balance may also be received in the same year if the Department is satisfied that the refinery is a viable operation. With the way our refinery operation has progressed, I have every confidence that we will have no difficulty in convincing the Federal Government of its viability. The estimated grant is shown in our Balance Sheet in the equities section as Contributed Surplus.

Again this year, an income tax saving has been realized through our policy of claiming capital cost allowances for tax in excess of actual depreciation recorded in our books. The accumulated tax saving now totals $277,963.00. This amount has been set aside from unallocated earned surplus to apply against future tax charges which would be incurred if and when depreciation expense exceeds capital cost allowances.

During the past year, a dividend of 5 cents per share was declared and paid. This is the second consecutive dividend paid out, and we hope to be able to continue this policy in the future as well as to increase the amount of the dividend if possible.

## PRODUCTION AND SALES

Production and sales volume were developed primarily from operation of the crushing plant, since the new refinery only operated for a few months at the end of the fiscal year, and its operation consisted of a run-in and adjustment period for those few months. Our crushing plant operated at record levels during the year.

Unfortunately, crushing margins narrowed during the year, as the trend toward lower prices for edible oils on the world market continued. Also prices for rapeseed meal declined due to a reduced protein level in the meal. This was caused by a reduced quality in available seed due to poor weather conditions which prevailed during the growing and particularly during the harvesting of the available rapeseed.

The increased volume of seed processed and of products sold, combined with improved productivity per unit of labor, was the main reason that we were able to show increased profits this year in spite of reduced prices on oil and meal. This was made possible by the hard work of our employees, and by the good services rendered to us by our sales brokers. Such a performance by our employees and brokers will always remain as one of the key factors in our overall growth and development, and I sincerely thank our staff for their contribution to our success.

## RAPESEED PURCHASES

Despite a cutback in production of rapeseed in 1968, supplies available proved adequate to meet our requirements. Quality was not as good as in previous years — protein content of the meal in particular suffered, and although oil yield was slightly above average, its quality was below average. However, in view of the poor growing and harvesting conditions which prevailed in 1968, far-

mers are to be congratulated on the quality which they did manage to attain. Most of the rapeseed which was crushed last year was supplied to us directly by shareholder-farmers. We expect the same situation to exist for the current year.

The acreage sown to rapeseed in Canada in 1969, was virtually double that of 1968. This was because farmers were encouraged by the increase in consumption of rapeseed, and also because the markets for wheat and other alternative crops are depressed and most uncertain. Growing conditions were less than ideal at the beginning of the season, but they improved sharply during the summer, and early harvesting conditions were generally ideal. Consequently, an abundant supply of good quality rapeseed should be available for the current year.

## REFINERY

Construction of our new refinery addition was completed in April 1969, and the total cost was $1,122,972.87, which is well within the original estimates made when the project was first undertaken. During the months of May, June, and July, the refinery was operated on a part-time basis, while technical adjustments and run-in of the equipment was made. By the end of August 1969, fully refined, de-odorized, and hydrogenated margarine oil was produced. Commercial production is now under way at a good level of activity.

Demand for refined oil products has proven to be better than expected at this stage. A good level of operation is assured for the refinery in its first year of production, and plans are already being made to increase the capacity of the refinery to meet expected growing demand.

## POLAR GROUP OF COMPANIES

During the year, AGRA diversified its interests with the purchase of a soft drink operation in Calgary, Alberta. Four firms were involved in the purchase, namely, Polar Aerated Water Works Ltd., Polar Beverages Ltd., Polar Canning Ltd., and Polar Beverages. Purchase price was $1,000,000.00, and was paid by issuance of 200,000 shares of the common stock of AGRA and payment of $200,000.00. The partnership, Polar Bevarages, was then sold by AGRA to Polar Beverages Ltd., so that the net investment for the entire Polar group appears on AGRA's balance sheet as $730,000.00.

As already pointed out, the POLAR group did not contribute a great deal to per share earnings for the 1968-69 year end. This was due to the fact that the company was only contributing for a partial year, and also because during the same period its new, high speed canning line was being started up and had to go through a run-in period. Nevertheless, POLAR has the potential to become a prized possession of AGRA. Being situated in one of the fastest growing market areas in Canada, and having a brand new high speed canning line ready to serve the ever-increasing demand for soft drinks, POLAR is in a particularly good position to benefit in the future.

## NEW DIRECTORS

During the year, two appointments were made to the Board of Directors. Mr. William Manolson, of Montreal, Quebec, has been of great assistance to AGRA in our efforts to become listed on the Toronto Stock Exchange, and in our program of expansion through diversification. Mr. Sam Hamer, of Lethbridge, Alberta, had ownership interests in the POLAR group of companies, and gives AGRA the benefit of his experience in this new area in which it is now engaged.

## OUTLOOK

The new fiscal year should be a particularly profitable one for AGRA. The construction and start-up of our refinery is now well behind us, and we should have the benefit of a full year's operation of the refinery at nearly full capacity. As a result of the refinery's operations, our crushing plant should operate at full capacity — and in fact we are already making some installations which will result in increasing the capacity of our crushing plant as well as our refinery.

The POLAR group of companies will contribute earnings for a full year for the first time in this new fiscal year. As in the case of our refinery, the start-up and run-in costs of POLAR's new high-speed canning line are behind us, so that a reasonable contribution to earnings is expected. This should be further enhanced by the fact that we have recently won contracts to custom can all the products for Coca-Cola and Pepsi-Cola for Alberta and portions of B.C., and Saskatchewan. These contracts should ensure a high and profitable level of operation of our canning line.

We will continue to expand during the new fiscal year. This policy will be followed both in the pursuit of possibilities for further diversification of interests, as well as expansion in our present areas of endeavor.

In keeping with our expansion policy, AGRA has recently entered into an agreement to purchase the outstanding shares of Lethbridge Bottling Co. Ltd., and General News Ltd., both of Lethbridge, Alberta. The total net investment in both these companies is $370,000.00, in cash, and the effective date of purchase is August 1st, 1969. Thus these companies will contribute to AGRA's earnings throughout our full fiscal year 1969-70.

General News Ltd. distributes magazines and paperback books to retail outlets in Southern Alberta and Southeastern B.C. Lethbridge Bottling Co. Ltd. produces and distributes soft drinks in Southern Alberta, Southeastern B.C., and Southwestern Saskatchewan. This company complements POLAR's operation in Calgary very well, since both companies produce the same franchised brands of soft drinks.

We look forward to a better than average growth rate in both of these new businesses, because of the burgeoning coal mining industry which is developing in this area. Furthermore, since we did not issue any AGRA shares for this purchase, we can expect to enjoy maximum per share earnings as a result of this purchase.

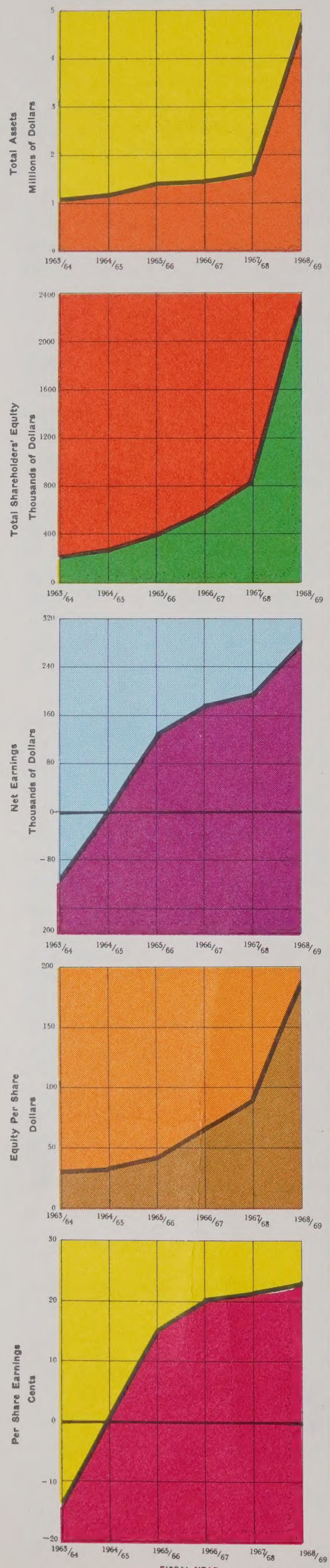
The most interesting prospect for the future is the possibility of a major expansion of our rapeseed processing facilities. Rapeseed products have enjoyed increasing demand in Canada year by year, and the potential demand is still much greater. We are watching market developments very closely, and are prepared to proceed with a major expansion program which could double or even triple both our crushing and refining facilities just as soon as the market potential develops. Indications are that this may not be far off, and so the prospects in this area are most exciting.

Respectfully submitted on behalf of the Board,

BB Torchinsky

B. B. Torchinsky, President.

October 8, 1969.




*Aerial View of AGRA's plant near Nipawin.*

*Lake Agra—created by damming underground springs. Provides the water reservoir for AGRA's plant operations.*

AGRA

Vegetable Oil Products Ltd.

And Subsidiary Companies

# Financial Highlights

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended July 31, 1969 (with comparative figures for 1968)

| | 1969 | 1968 |
|---|---|---|
| **Income:** | | |
| Revenue from sale of products and rentals | $4,858,408 | $2,873,024 |
| Miscellaneous revenue | 30,947 | 11,597 |
| **Total income** | $4,889,355 | $2,884,621 |
| **Expense:** | | |
| Raw materials and production costs | $4,199,314 | $2,542,850 |
| Depreciation charged during the year | 58,782 | 43,273 |
| Interest on long-term debts | 49,096 | 30,832 |
| Other interest | 17,898 | 8,068 |
| Other administrative and selling costs—Note 6 | 290,243 | 64,679 |
| **Total expense** | $4,615,333 | $2,689,702 |
| Profit before provision for corporation income taxes | $ 274,022 | $ 194,919 |
| Provision for corporation income taxes (refund)—Note 2 | (4,521) | 12,764 |
| **Net profit for the year—Note 1** | $ 278,543 | $ 182,155 |
| Share | 22.7 | 21.9 |

AGRA Vegetable Oil Products Ltd.

And Subsidiary Companies

## CONSOLIDATED STATEMENT OF UNALLOCATED RETAINED EARNINGS

For the year ended July 31, 1969 (With comparative figures for 1968)

| | 1969 | 1968 |
|---|---|---|
| Balance at beginning of year | $ 147,940 | $ 85,379 |
| Add net profit for the year | 278,543 | 182,155 |
| | $ 426,483 | $ 267,534 |
| Less dividend paid | 51,638 | 41,565 |
| | $ 374,845 | $ 225,969 |
| Less allocation to provide for deferred corporation income taxes—Note 2 | 130,227 | 78,029 |
| Balance at end of year | $ 244,618 | $ 147,940 |

## CONSOLIDATED STATEMENT OF RETAINED ALLOCATED EARNINGS

For the year ended July 31, 1969 (With comparative figures for 1968)

| | 1969 | 1968 |
|---|---|---|
| Balance at beginning of year | $ 147,736 | $ 69,707 |
| Additional allocation required—Note 2 | 130,227 | 78,029 |
| Balance at end of year | $ 277,963 | $ 147,736 |

AGRA Vegetable Oil Products Ltd.

And Subsidiary Companies

## CONSOLIDATED STATEMENT OF FUNDS

For the year ended July 31, 1969 (With comparative figures for 1968)

| | | 1969 | 1968 |
|---|---|---|---|
| **Funds provided by:** | | | |
| Operations—net profit plus depreciation | | $ 337,325 | $ 225,429 |
| Sale of investment | | 100,000 | — |
| Sale of equipment | | 7,241 | 6,025 |
| Sale of shares for cash—Note 5 | | 115,966 | 127,836 |
| Shares issued under option exercised by mortgagor | | 61,875 | — |
| Shares issued to purchase wholly owned subsidiary | | 800,000 | — |
| Proceeds of mortgage | | 990,000 | 19,193 |
| Grant receivable—Note 3 | $ 250,000 | | |
| *Less* portion receivable beyond one year | 100,000 | 150,000 | — |
| Total funds provided | | $2,562,407 | $ 378,483 |
| **Funds applied to:** | | | |
| Refinery project | | $1,025,909 | $ 97,064 |
| Purchase of other fixed assets | | 144,171 | 37,094 |
| Excess of cost of assets acquired over book values | | 400,684 | — |
| Reduction of mortgages and agreement | | 59,631 | 39,993 |
| Payout of previous mortgage | | 302,200 | — |
| Payment of dividend | | 51,638 | 41,565 |
| Purchase of fixed assets of subsidiaries | $1,135,262 | | |
| *Less* long-term liabilities assumed | 635,163 | 500,099 | — |
| Total funds applied | | $2,484,332 | $ 215,716 |
| Net increase in working capital funds | | $ 78,075 | $162,767 |
| Funds available at beginning of year | | 291,802 | 129,035 |
| Working capital funds at end of year | | $ 369,877 | $ 291,802 |
| **Represented by:** | | | |
| Current assets | | $1,189,655 | $ 715,257 |
| *Less* current liabilities | | 819,778 | 423,455 |
| | | $ 369,877 | $ 291,802 |

AGRA Veg

And Sub

# CONSOLIDATE

As at July 31, 1969 (

## ASSETS

| | | 1969 | 1968 |
|---|---|---|---|
| **Current Assets** | | | |
| Accounts receivable | | $ 566,018 | $487,293 |
| Inventories—at the lower of cost or net realizable value | | 401,904 | 215,139 |
| Prepaid expense | | 31,053 | 3,175 |
| Deposits on hedging | | 40,680 | 9,650 |
| Portion of grant receivable due within one year—Note 3 | | 150,000 | — |
| **Total current assets** | | **$1,189,655** | $ 715,257 |
| **Investment and grant receivable:** | | | |
| Investment in bonds—at cost (market value $7,375) | | $ 10,000 | $ — |
| Grant receivable—Note 3 | $ 250,000 | | |
| *Less* portion due within one year | 150,000 | 100,000 | — |
| **Total investment and grant receivable** | | **$ 110,000** | $ — |
| **Fixed Assets at cost:** | | | |
| Land | | $ 63,571 | $ 3,571 |
| Buildings | | 932,163 | 271,705 |
| Machinery and equipment | | 2,324,289 | 659,418 |
| | | $3,320,023 | $ 934,694 |
| *Less* accumulated depreciation | | 379,959 | 123,949 |
| **Total fixed assets** | | **$2,940,064** | $ 810,745 |
| **Other Assets:** | | | |
| Organization expense | | $ 39,303 | $ 39,303 |
| Excess of cost of assets over book values—Note 4 | | 400,684 | — |
| **Total other assets** | | **$ 439,987** | $ 39,303 |
| | | **$4,679,706** | $1,565,305 |

The accompanying notes are an integral part of the financial statements.
See Auditors' report dated October 7, 1969.

le Oil Products Ltd.

Companies

# ALANCE SHEET

nparative figures for 1968)

## LIABILITIES AND SHAREHOLDERS' EQUITY

| | 1969 | 1968 |
|---|---|---|
| **Current Liabilities:** | | |
| Bank loans | $ 323,779 | $ 260,675 |
| Accounts payable | 403,392 | 141,980 |
| Current portion of long-term debts due within one year | 92,607 | 20,800 |
| **Total current liabilities** | $ 819,778 | $ 423,455 |
| **Long-term Liabilities:** | | |
| Mortgages and agreement payable—Note 8 | $1,658,139 | $ 323,000 |
| *Less* portion due within one year | 92,607 | 20,800 |
| **Total long-term liabilities** | $1,565,532 | $ 302,200 |
| **Total liabilities** | $2,385,310 | $ 725,655 |
| **Shareholders' Equity:** | | |
| Share capital: | | |
| Authorized—3,000,000 common shares without nominal or par value | | |
| Issued and fully paid—1,229,090 shares—Note 5 | $1,547,141 | $ 567,131 |
| *Less* commissions on sale of shares | 25,326 | 23,157 |
| **Total share capital** | $1,521,815 | $ 543,974 |
| **Contributed Surplus—Note 3** | 250,000 | — |
| **Retained Earnings:** | | |
| Allocated earnings to apply to deferred income taxes—Note 2 | 277,963 | 147,736 |
| Unallocated earnings | 244,618 | 147,940 |
| **Total shareholders' equity** | $2,294,396 | $ 839,650 |
| | $4,679,706 | $1,565,305 |

Approved on behalf of the Board:

B. B. TORCHINSKY, *President.*
G. W. NEUMANN, *Treasurer.*

AGRA Vegetable Oil Products Ltd.

And Subsidiary Companies

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at July 31, 1969

1. On January 31, 1969 Agra Vegetable Oil Products purchased all of the outstanding shares of Polar Beverages Ltd., Polar Canning Ltd. and Polar Aerated Waterworks Ltd. The consolidated statements include the income and expense of the subsidiary companies for the six months ended July 31, 1969 together with the income and expense of Agra Vegetable Oil Products Ltd. for the year ended July 31, 1969, and the assets and liabilities of all subsidiaries as well as the parent company as at July 31, 1969. The comparative figures for 1968 are only those of Agra Vegetable Oil Products Ltd.

2. It is the policy of the company to claim capital cost allowance in excess of depreciation which has resulted in deferment of income taxes. The company has set aside the tax savings arising from this policy by the allocation of retained earnings to provide for future added taxes which may arise when depreciation exceeds capital cost allowance claims.

3. The company has made application to the Area Development Agency of the Federal Government for a grant in connection with the construction of the refinery. The company has recorded $250,000 as a conservative estimate of the amount receivable under this application, of which 60% is payable upon verification by the Federal Government of the costs incurred.

4. The acquisition of the wholly-owned subsidiaries has resulted in an excess of cost of assets acquired over the book value.

5. During the year the company issued the following shares:

| | |
|---|---|
| Cash | 74,765 |
| Option exercised by mortgagor | 72,794 |
| Purchase of wholly-owned subsidiaries | 200,000 |
| Total issued during the year | 347,559 |

The company did receive $30,452 in 1968 for shares subscribed but which were issued during 1969. Of the 200,000 shares issued to purchase the subsidiary company's 133,333 shares are to be held in escrow, one-half to be released in 1970 and the balance to be released in 1971.

6. Remuneration to directors and senior officers, as described in the Ontario Securities Act, amounted to $64,303.

7. Subsequent to the year end the company purchased all the outstanding shares of Lethbridge Bottling Company Ltd. and General News Company Ltd. for cash in the amount of $370,000. The effective date of this agreement is August 1, 1969.

8. Mortgages and agreements payable are as follows:

| | |
|---|---|
| 9½% mortgage payable by subsidiary amortized over fifteen years with a maturity date of August 27, 1973 | $ 389,361 |
| 7% promissory note and conditional sale agreement payable by subsidiary | 286,818 |
| 8% mortgage payable together with a general assignment of book debts and a debenture secured by a floating charge on all assets. The general assignment and floating charge have been postponed in favour of a working capital loan from the bank. Terms of the mortgage restrict payment of dividends, unless authorized by the mortgagor | 981,960 |
| | $1,658,139 |

## SIX YEAR REVIEW

| | 1963/64 | 1964/65 | 1965/66 | 1966/67 | 1967/68 | **1968/69** |
|---|---|---|---|---|---|---|
| Net Earnings | $ (105,258) | $ 1,878 | $ 132,388 | $ 165,433 | $ 182,155 | **$ 278,543** |
| Working Capital | $ (157,423) | $ (153,680) | $ (134,067) | $ 129,035 | $ 291,802 | **$ 369,877** |
| Total Assets | $1,113,583 | $1,283,676 | $1,403,724 | $1,375,784 | $1,589,671 | **$4,679,706** |
| Shareholders' Equity | $ 221,375 | $ 273,403 | $ 405,791 | $ 571,224 | $ 839,650 | **$2,294,396** |
| Net Earnings Per Share | (14.4c) | 0.2c | 15.9c | 19.9c | 21.9c | **22.7c** |
| Equity Per Share | 30.3c | 32.9c | 48.8c | 68.7c | 91.8c | **$1.867** |
| Dividends Paid Per Share | — | — | — | — | 5.0c | **5.0c** |
| No. of Shareholders (Approx) | 375 | 375 | 375 | 375 | 650 | **1100** |
| No. of Outstanding Shares | 731,296 | 731,296 | 831,296 | 831,296 | 831,296 | **1,229,090** |

## AUDITOR'S REPORT

To the Shareholders of
Agra Vegetable Oil Products Ltd.

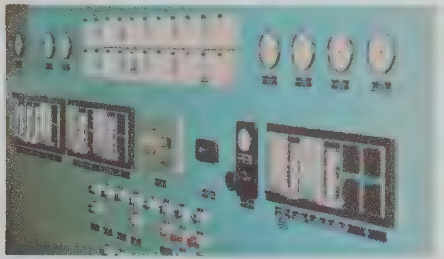
We have examined the consolidated balance sheet of Agra Vegetable Oil Products Ltd. and its subsidiaries as at July 31, 1969 and the consolidated statements of profit and loss, retained earnings and funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at July 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saskatoon, Saskatchewan.
October 7, 1969.

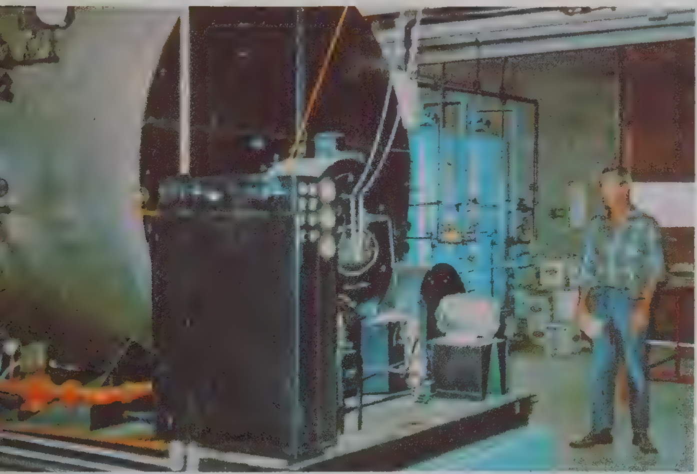
Hamilton, George, Taylor, Golumbia & Co.
*Chartered Accountants.*

*Laboratory for quality control of refined oil*



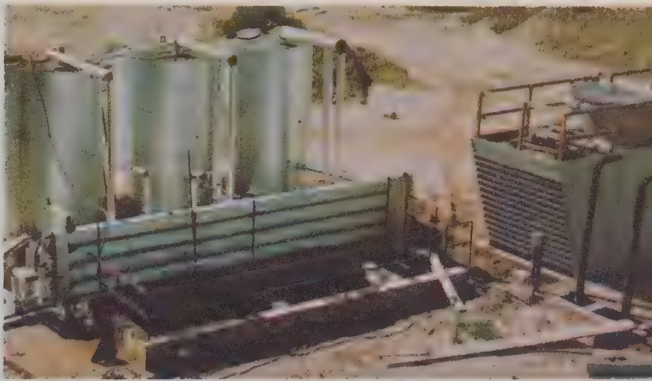
*Interior of AGRA's new oil refinery.*

*Fully automatic control panel for refinery.*



*Exterior View of AGRA's Plant.*

*Boiler Room.*



# Rapeseed – THE CINDERELLA CROP OF WESTERN CANADA


**Graph Showing Increasing Canadian Production of Rapeseed Oil and Meal Since Agra Commenced Operations**

In the last ten years, rapeseed has grown from insignificance to become the largest edible oil seed crop produced in Canada. Some experimental production has been carried on in Quebec, however all commercial production of rapeseed has developed in the Prairie Provinces — particularly in the northern areas, where climatic conditions are ideal for rapeseed growth. In the past three years, approximately one million acres of prairie farmland were sown to rapeseed each year, with total annual production of about 20 million bushels. In the current crop year, 1969, about two million acres were sown, and the rapeseed crop is estimated to be approximately 37 million bushels. It has been estimated that in the future, up to 10 million acres of prairie farmland could be sown to rapeseed each year, with a staggering potential yield of 200 million bushels per year!

Rapeseed is used to produce two major products — edible vegetable oil and high protein feed for livestock and poultry. Every 100 pounds of rapeseed, when crushed, produces 40 pounds of crude vegetable oil and 60 pounds of meal. The oil can then be refined and hardened to produce salad and cooking oils, shortening and margarine.

Canada consumes approximately 550 million pounds of oil and fats annually in the form of margarine, shortening, and



*Rapeseed Field.*

salad and cooking oils. Of this amount, 140 million pounds consists of fish oils and animal fats. The balance of over 410 million pounds consists of standard vegetable oils such as rapeseed, soybean and sunflower.

The 410 million pounds of vegetable oil consumed by Canadians each year is made up by importing 110 million pounds and by crushing soybeans, sunflower seed and rapeseed to produce the other 300 million pounds. Of this 300 million pounds of domestically crushed oil, 25 million pounds is produced by crushing domestic soybeans, 150 million pounds is produced by crushing *imported* soybeans, 120 million pounds from crushing domestic rapeseed, and 5 million pounds from domestic sunflower seed. *Thus, of the total 410 million pounds of vegetable oils consumed in Canada last year, 260 million pounds were obtained from importing vegetable oils or oilseeds, and only 150 million pounds were produced domestically, from domestic oilseeds.*

Most of Canada's rapeseed production is exported to countries such as Japan, Taiwan, Italy, the Netherlands, and others. For example, of the 20 million bushels of rapeseed produced in Canada last year, only 6 million bushels were crushed in Canada. The balance was exported to other countries.

Several factors are presently contributing to the very rapid development of rapeseed production on prairie farms and the subsequent growth of the Canadian edible oil industry:

1. The world wheat surplus is forcing Canadian farmers to look for an alternate crop to replace wheat. Rapeseed is a good alternative in many cases, and should therefore be available in plentiful supply in the future, and at a reasonable cost.

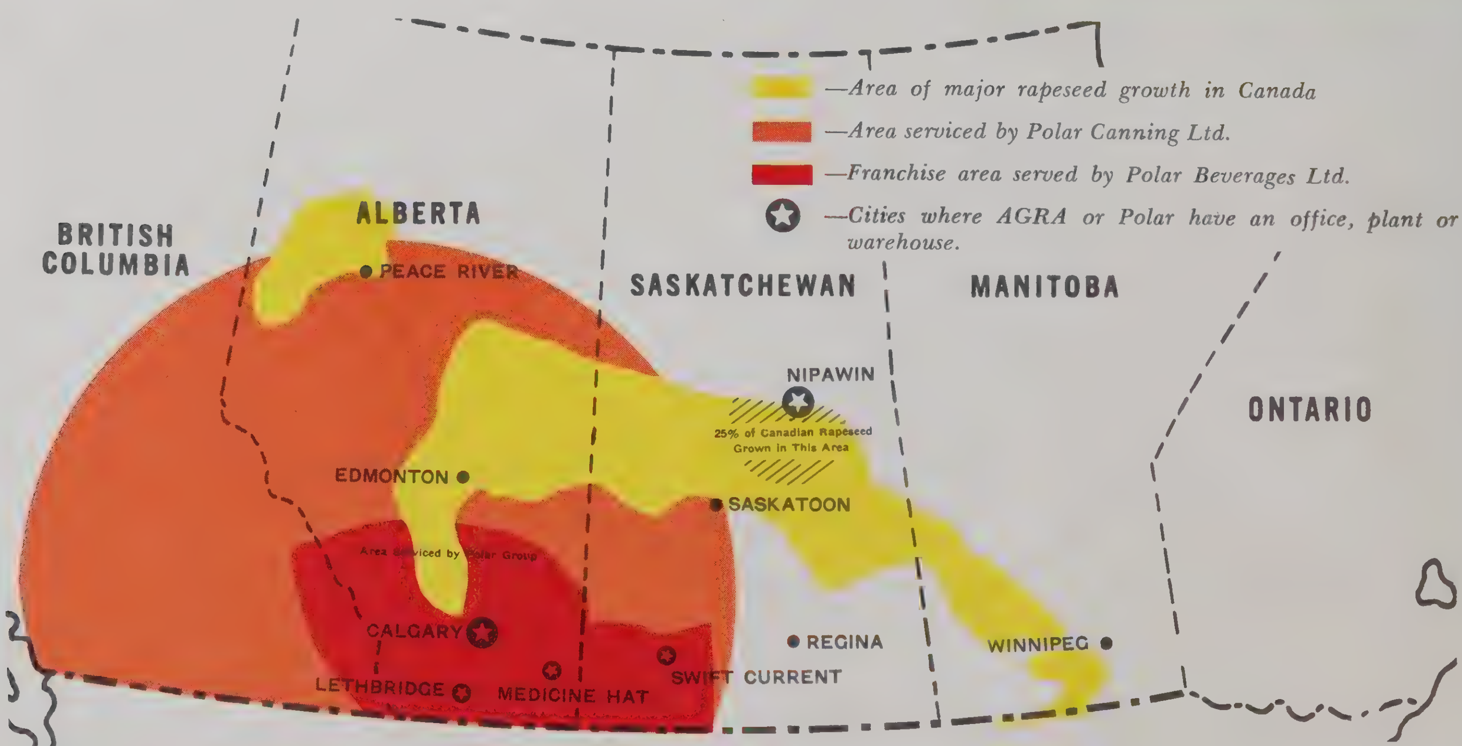
2. A very large percentage of the total Canadian consumed vegetable oils are presently imported from other countries. We have the ability to replace this import commodity with a domestic replacement, and can do so economically.

3. Canadian consumption of vegetable oils and fats is increasing relative to dairy and animal fats. Constant research and development has produced specialized products such as soft-spread margarines, special shortenings and cooking oils, dessert toppings and beverage lighteners. These products are in demand both for the desirable qualities which they have in their own right, as well as lower cost in comparison with alternative products. An estimated annual increase in consumption of domestically produced edible oil in Canada due to population growth as well as the above factors is conservatively placed at ten to fifteen percent per year.

**AGRA's oil processing plant is located in Nipawin, Saskatchewan, which is right in the heart of Canada's most productive rapeseed growing area. Approximately one-quarter of the entire annual Canadian production of rapeseed is grown within a radius of less than 100 miles from Nipawin.**

**AGRA's total number of shareholders is approximately 1100, and of these approximately 500 are farmers who live within hauling range of our oil plant. Most of the rapeseed processed is supplied by these shareholder-farmers, which means that our raw material supply is well assured, and at reasonable cost.**

**With the obvious potential for growth of the rapeseed industry in Canada, AGRA's unique position should enable us to share very extensively in this future growth and development. Furthermore, since our plant is also capable of processing other oilseeds in addition to rapeseed, we look forward to a healthy share of the dramatic growth of the vegetable oil industry in Canada, whether from processing rapeseed or any other edible oil seed.**




*Western Canada—showing operational areas of AGRA and Polar.*

*Calgary—the hub of Polar's operations.*

# The Polar Group

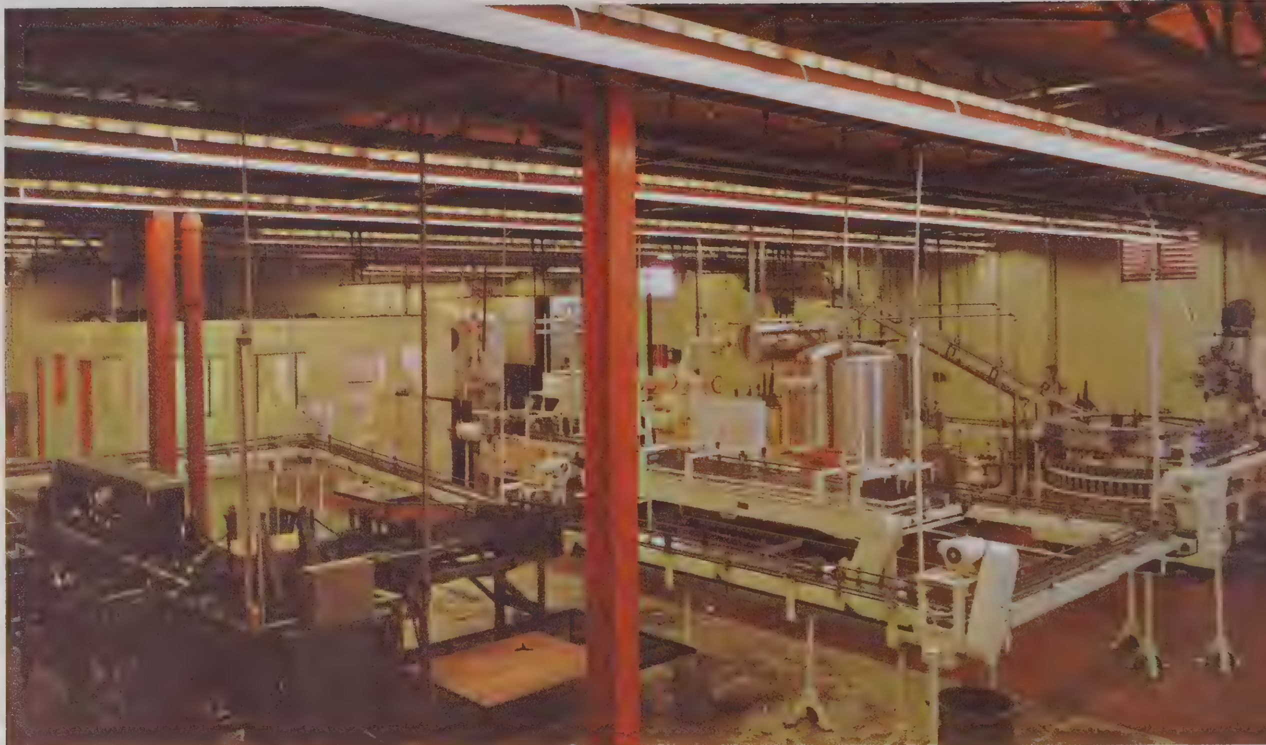
The Polar group in Calgary consists of three companies as follows:

### (a) Polar Aerated Water Works Ltd.

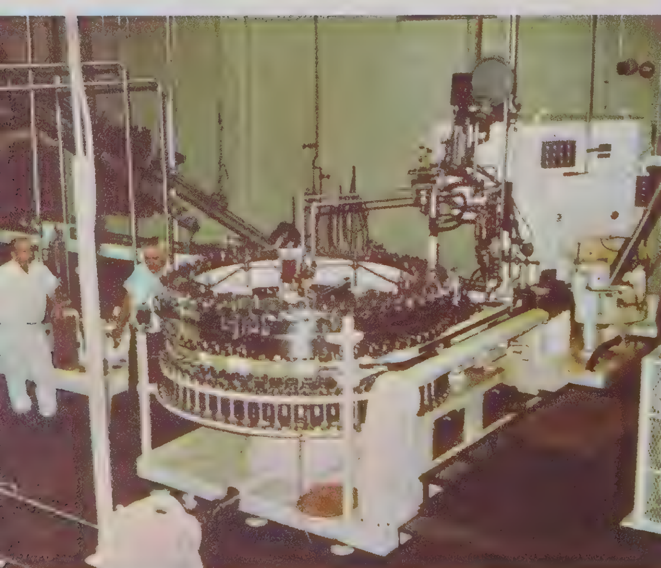
This company owns 5 acres of choice industrial land located in the Highland Industrial Park in Calgary, Alberta. A new masonry building, nearly 60,000 square-feet in area is located on this property. This building houses offices, manufacturing facilities, and warehouse facilities. The manufacturing facilities include a bottling line which can produce 150 bottles of carbonated beverages per minute, and a brand new, high-speed automatic canning line which can produce 650 cans per minute.

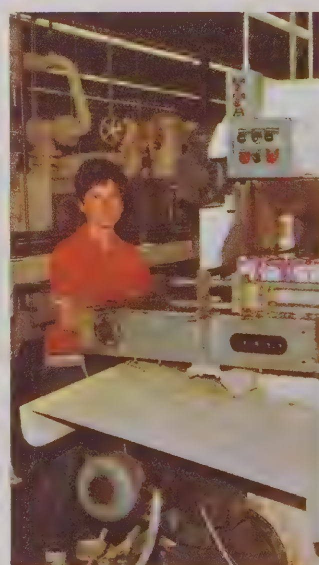

Projected Consumption of Softdrinks in Polar Territory
(Millions of Gallons)

AGRA



*General View of High Speed Canning Line.*





*60 Spout Filler which produces 650 cans per minute.*

*Cartons containing 24 cans each are automatically palletized for efficient handling.*

## (b) Polar Canning Ltd.

This company is a manufacturing company which manufactures cases of bottled and canned soft drinks on a custom basis. It rents equipment and warehouse space from Polar Aerated Water Works Ltd., and manufactures soft drinks for various distributors as well as for Polar Beverages Ltd.

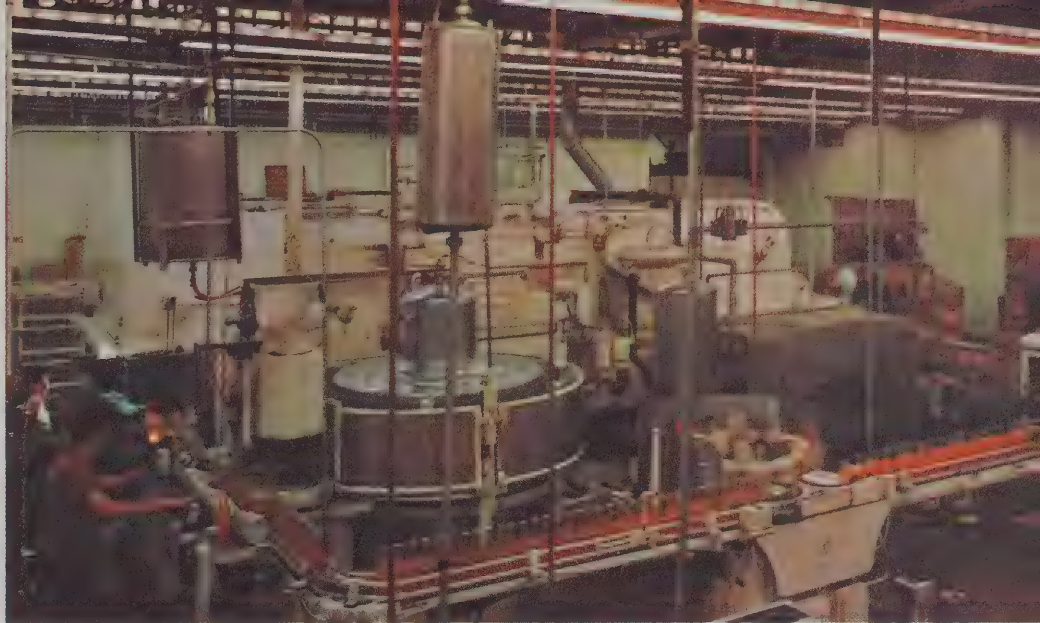
Soft drinks which are manufactured by Polar Canning Ltd. on a custom basis can be classified into two categories — namely, "private label" products and "name-brand" products. In the "private label" category, the following are presently manufactured by Polar Canning Ltd:

Kist Flavors, Cott Flavors, Grand Prix and Co-op.

In the "brand-name" category, Polar Canning Ltd. produces the following:

Seven-Up, Orange Crush, Coca-Cola, Hires Root Beer, Royal Crown Cola, Like, Pepsi-Cola, Fresca, Tab, Fanta, Diet-Pepsi, Teem, Calgary Dry Ginger Ale, Mountain Dew and Cotts.

Syrup Room



General View of Bottling Line.

Polar runs 20 distribution trucks.

*Pre-mix tanks for fountain service.*

*Display Coolers.*

### (c) Polar Beverages Ltd.

This is a distribution company which holds the franchise for distribution of various name-brand soft drinks in Calgary and Southern Alberta. The major franchises held include Seven-Up, Orange Crush, Hires Root Beer, Royal Crown Cola and Calgary Dry Ginger Ale. Polar Beverages Ltd. rents office and warehouse space from Polar Aerated Waterworks Ltd., and from these premises, warehouses and distributes its franchised lines to the customers in its territory.


*Interior of Polar's warehouse.*

The future outlook for POLAR's growth in the carbonated beverage field appears very bright for several reasons:

a) A marked increase in soft drink consumption is occuring due to the present high rate of growth of population in the 10 to 24-year old age group, which is the primary consumer of these drinks.
b) There is also a marked increase in the trend to "convenience packaging," which in the case of soft drinks, means "one-way" bottles and more particularly, cans. POLAR with its brand new, high-speed canning line, capable of producing 650 tins per minute has the most modern and efficient plant of this type in Western Canada, and is therefore in a good position to service this growing trend.
c) The area which POLAR serves, namely Calgary and Southern Alberta, is one of the fastest growing areas in Canada, both from the point of view of population and average income. This natural increase in consumer volume should contribute substantially to POLAR'S growth in the future.

SOME OF THE PRODUCTS PRODUCED BY POLAR CANNING LTD.

LITHOGRAPHED BY MODERN PRESS, SASKATOON

# AGRA VEGETABLE OIL PRODUCTS LTD.

## Interim Report to the Shareholders

## For the Six Months to January 31, 1969.

### INTERIM STATEMENT

The first six months of our current fiscal year produced an increase of 34% in total sales ($1,817,275.00 versus $1,348,467.00), with an increase of 62% in net profit ($84,864.00 versus $52,223.00), compared to the same period last year. Earnings for the period were 8.2 cents per share compared with 6.3 cents per share last year. Our processing and sales volume level is expected to be maintained to the end of the year, and so we therefore expect to produce a record output for our operation.

Proceeds of our mortgage loan with the Saskatchewan Economic Development Corporation for the new oil refinery are being drawn as required. We still have a balance of $432,048.00 available to us under this loan. I would like to point out that the Balance Sheet and Statement of Source and Application of Funds presented herewith do not reflect the availability of these funds from SEDCO.

### NEW REFINERY

Our refinery project is nearing completion. The building construction is completed and virtually all equipment is on site. Final installation of equipment and utility services is progressing well. We expect to start up the equipment in late March, and to begin production sometime in April. Costs have been well controlled and should be well within our projected estimates of $1,250,000.00.

### THE POLAR GROUP OF COMPANIES

Your Directors have recently completed the purchase of the Polar Group of Companies. These companies include Polar Beverages Ltd., Polar Canning Ltd., and Polar Aerated Waterworks Ltd. The Polar Group is located in Calgary, Alberta, and has enjoyed 40 years of success in the carbonated beverage industry. It holds the franchise for distributing of several leading national brands, including Seven-Up, Orange Crush, and Hires Root Beer in Calgary and the surrounding area. In addition it has recently constructed a new canning plant which is capable of producing 650 cans per minute. This very modern and very efficient plant makes Polar one of the leaders in the carbonated beverage industry in Canada.

Your Directors have signed an agreement to purchase all of the shares of the Polar Group for a total of $200,000.00, plus 200,000 Agra shares. This deal is subject to acceptance by Agra's shareholders, by the Toronto Stock Exchange and by the regulatory bodies having jurisdiction. Last year the Polar Group earned profits which would be equivalent to nearly 7 cents per Agra share. With the new canning plant just recently put into service, we expect a further increase in these earnings in the future.

At a special meeting of Agra Shareholders to be held shortly, you will be asked to approve Agra's purchase of the Polar Group and to widen the scope of activities in which Agra may engage. There are a number of firms similar to Polar in potential earnings performance which are available for acquisition. With our own potential for growth in earnings, and with a large block of authorized capital stock in our treasury, Agra is in a particularly good position to take advantage of such acquisitions. With your permission, your directors propose to pursue this area of development.

Respectfully submitted on behalf of the Board of Directors.

B. B. Torchinsky, P.Eng.,
President.

## STATEMENT OF EARNINGS
### For the Six Months Ended January 31, 1969 With Comparative Figures for the Six Months to January 31, 1968.

| | 1969 | 1968 |
|---|---|---|
| Net revenue from sale of products | $1,817,275 | $1,348,467 |
| Expenses: | | |
| Cost of rapeseed and cash production costs | $1,690,338 | $1,259,942 |
| Depreciation | 22,692 | 21,185 |
| Interest and Bank charges | 21,486 | 21,004 |
| Directors' fees and expenses | 1,298 | 957 |
| Total expenses | $1,735,814 | $1,303,088 |
| Profit on operations | $ 81,461 | $ 45,379 |
| Other income | 3,403 | 6,844 |
| NET PROFIT for the period | $ 84,864 | $ 52,223 |

It is estimated that no income tax will be payable in the current year.

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS
### For the Six Months Ended January 31, 1969 With Comparative Figures for the Six Months to January 31, 1968.

| | 1969 | 1968 |
|---|---|---|
| Funds provided by: | | |
| Operations (Net profit plus depreciation) | $ 107,556 | $ 73,400 |
| Sale of equipment | — | 3,025 |
| Sale of shares | 115,965 | 8,449 |
| Mortgage loan proceeds | 302,428 | — |
| | $ 525,949 | $ 84,874 |
| Funds applied to: | | |
| Refinery project | $ 595,533 | $ 5,441 |
| Other equipment purchases | 44,020 | 10,568 |
| Instalments paid on mortgage loans | 3,800 | 20,993 |
| Loss on settlement of claims re deposit for future delivery | 7,876 | — |
| Payment of dividend | — | 41,565 |
| | $ 651,229 | $ 78,567 |
| Net increase (decrease) in working capital funds | $ (125,280) | $ 6,317 |

Additional funds are available when required from the Saskatchewan Economic Development Corporation under the mortgage loan to the extent of $432,048.

## BALANCE SHEET
### As at January 31, 1969.
### With Comparative Figures as at January 31, 1968.

| | | 1969 | 1968 |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | | $ 771,630 | $ 852,468 |
| Fixed assets, at Cost | $1,574,247 | | |
| Less accumulated depreciation | 146,641 | 1,427,606 | 717,684 |
| Organization expenses | | 39,303 | 39,303 |
| Total Assets | | $2,238,539 | $1,609,455 |
| **EQUITIES** | | | |
| Current liabilities | | $ 605,107 | $ 717,116 |
| Mortgage loan— Saskatchewan Economic Development Corporation | $ 561,752 | | |
| Less installments due within one year | 22,800 | 538,952 | 302,007 |
| Shareholders' equity: | | | |
| Capital stock issued, for which $4,700 remains to be paid | $ 747,141 | | |
| Less commission on sale of shares | 25,327 | 721,814 | 424,587 |
| Retained earnings | | 372,666 | 165,745 |
| TOTAL EQUITIES | | $2,238,539 | $1,609,455 |

Agra Vegetable Oil Products Ltd.

# interim report

For the Six Months Period Ending

January 31, 1969.